

Congressman Warns Against Potential Bid from State-Owned Chinese Company on Next Presidential Helicopter

Washington, DC - At a hearing of the U.S.-China Economic and Security Review Commission (USCC), Congressman Maurice Hinchey (D-NY) drew attention to China's flagrant violations of international trade laws that are putting U.S. solar jobs in New York and elsewhere at a competitive disadvantage. Hinchey also warned against a potential bid from a state-owned Chinese company for the next presidential helicopter contract.

The USCC was established by Congress in October 2000 to monitor and investigate the national security implications of the bilateral trade and economic relationship between the United States and China and make policy recommendations when appropriate. Hinchey was invited to testify before the commission and speak to the implications of current U.S.-China trade policy. Hinchey's testimony follows:

"I would like to thank the members and staff of the U.S.-China Economic and Security Review Commission for years of dedicated service to the Congress and the country. Your work investigating and reporting on our relationship with China is of the utmost importance and my colleagues and I deeply appreciate your efforts and recommendations. I'm honored to have the opportunity to testify before you today and look forward to continuing to work with you.

I will begin by saying that the United States, including our people and government, does not harbor negative wishes for China. Often times, cynical but popular viewpoints and sound bites on China are overrepresented by politicians, opinion-makers, and the press. We want the Chinese people to be successful and prosperous partners in the global economy. The United States respects the determination of the Chinese people to thrive and the fact of the matter is that the economic fate of our two nations are very much linked together.

Competition serves both countries by strengthening our best businesses and ideas, but in order

to ensure the benefits and sacrifices of the global economy are shared, that competition must be fair. Unfortunately, there have been unfair and unwise policies in the United States and in China that have driven manufacturing jobs out of our country. Far too often it seems that our major export to China is our jobs. Between 2001 and 2008, our growing trade deficit with China has cost or displaced 2.4 million U.S. jobs. I'd like to highlight this challenge through the renewable energy sector, which is an area that has been of special interest to me over the years.

As some of the board members may know, the solar industry has had a positive economic impact on upstate New York, in particular in the district I represent. Over a dozen new solar and solar-related companies have opened in the last three years, creating hundreds of new jobs, with additional jobs expected over the next two years. These new companies and jobs have been welcomed in a region that was severely impacted when major manufacturers shipped jobs overseas as the result of unfair free trade agreements, which I strongly opposed.

Clean energy represents one of the most significant growth opportunities for the U.S. economy in decades. Businesses are starting up and thousands of new jobs are being created. At the same time, we're reducing our reliance on foreign sources of energy and protecting our environment. Unfortunately, China is illegally subsidizing and protecting its clean energy industry, at the expense of U.S. companies who are being forced to compete on an uneven playing field. This type of anti-competitive, illegal activity has hurt the district I represent, as well as towns, cities, and states throughout the country.

Last September, I wrote to President Obama urging him to enforce the World Trade Organization's rules for trade between nations and to ensure that China stops providing illegal subsidies for the Chinese renewable energy sector. I am pleased that the administration responded to my letter and other calls for fair trade practices by launching an investigation into China's subsidies and other practices.

We need to aggressively work to enforce international trade agreements to ensure a fair playing field for American businesses. At the same time, if we want domestic industry to compete with Chinese state owned and other Chinese companies, we need long-term strategic investments in our own renewable energy economy. In my view, one of those investments should be made by the Department of Defense in order to promote growth in our domestic industry.

As you may know, the Department of Defense must abide by the Buy American Act when

purchasing products. Within the Department, instead of direct procurement, the agency has increasingly begun to rely on financing vehicles, such as Power Purchase Agreements (PPAs), to fund renewable energy investments. PPAs are attractive because they require no up-front capital costs. Instead, a private entity installs, owns and operates a system on a military installation, and sells the power to the base.

But the Buy American Act does not apply to this type of contract mechanism and in cases of solar energy projects there exists a de facto loophole for highly subsidized Chinese and other foreign solar panel manufacturers to get their panels installed on military installations across the U.S. - allowing American solar jobs to be pushed overseas. Some of the largest solar projects within the military rely heavily on foreign-manufactured renewable energy, including solar arrays at Nellis Air Force Base and Camp Pendleton.

To address this growing concern, I obtained language in the Fiscal Year 2011 National Defense Authorization Act to extend the Buy American Act to Power Purchase Agreements and other indirect contracts used to install our solar panels on defense facilities. The intent of this language is to ensure the Buy American Act is applied in all cases where solar panels are installed on Department of Defense property.

I will be working with this Congress to expand the language to other energy technologies that the Department of Defense purchases to further drive the message home that renewable energy purchasing decisions have a direct impact on the success of our nation's renewable energy manufacturing economy and our national security.

Lastly, I would like to highlight the possibility that a Chinese state-owned company may manufacture the next presidential helicopter. I am fortunate to be working against that possibility with my friend and colleague, Congresswoman Rosa DeLauro, who may have already touched upon this issue.

The Wall Street Journal recently reported that China's state-run China Aviation Industry Corporation (AVIC) may offer its AC-313 helicopter for use in the next Marine One fleet. The President of the United States of America should not be flying around in a helicopter that is made in China. It was a \$4 billion mistake to cancel the presidential helicopter program in the first place, but putting a state-run Chinese company in the running for the new project would be a slap in the face to American workers.

If the Chinese actually won the contract, our most sensitive national security information, the technology and systems we use to transport our president could be put directly into the hands of a foreign power. I cannot imagine a worse mistake. I've urged Secretary Gates to consider these implications, and I hope that upon looking into the matter he will make the right decision.

Again, I thank the Commission for its dedication to the study of our relationship with China. For more than a decade the Congress has benefited from your work, which is now more important than ever.